

**Fourth Quarter Report to U.S. Agency for International Development
National Policy Association
October 1st – December 31st 2001
Working Group on Best Business Practices in Cuba
Grant No. LAG-G-00-00-00002-00**

In the fourth quarter of 2001, NPA's Cuba Program Director continued to build NPA's network of individuals and groups interested in Cuba, held a conference on worker rights in Cuba in Washington, DC, completed another issue of *Cuba Today*, and developed proposals for a third phase of the NPA Cuba program.

NPA Cuba Working Group and Washington, DC Conference

The Working Group met again in Washington, DC on November 14, 2001, in conjunction with a half-day conference on "Foreign Investment and Worker Rights in Cuba." The purpose of the seminar was to raise awareness within the Washington policy community on the latest developments in foreign investment in Cuba and its effects on the rights of workers. The forum brought together noted Cuba specialists from across the policy spectrum. The agenda for the Working Group conference is attached.

In the first of two panels, entitled, "Working With the Cuban Labor System: A Risk Analysis of Investment," three speakers acknowledged the high degree of risk assumed by foreign investors in Cuba. Matias Travieso-Diaz, a partner at the Washington-based law firm Shaw Pittman, laid out the legal structure for foreign investment in Cuba. Maria Werlau, President of Orbis International, pointed out that Cuba is ranked nearly last among the world's countries in terms of attractiveness to investors. Arwen Widmer, from Canada's Export Development Corporation, outlined the political risk factors associated with investment in Cuba.

The second set of panelists addressed the topic of "Promoting Positive Change in Cuba: Can Investors Play a Role?" The three speakers, including George Plinio Montalván, co-author of the Arcos Principles, Ambassador Dennis Hayes of the Cuban American National Foundation, and John Kavulich of the US-Cuba Trade and Economic Council, while differing substantially about the likelihood that current investors can or will influence worker rights, agreed that foreign investment will play an increasingly important role in post-Castro Cuba once the Cuban economy opens up to international trade and investment. They noted that the Cuban economy was currently in a particularly weak condition in the wake of the extraordinary destruction caused by Hurricane Michelle, and that, in the past, extreme economic hardship had stimulated the Castro regime to allow somewhat greater economic freedom. The speakers speculated that the current crisis might lead to new laws and regulations to boost the economy and ultimately the status of Cuban workers.

The workshop was followed by a luncheon for Working Group members, speakers and select conference participants. James Carragher, the new Director of the Office of Cuban Affairs at the State Department, offered an off-the-record briefing on US-Cuba relations.

Cuba Today

The Fall 2001 issue of *Cuba Today* (attached), which focuses on worker issues related to Cuba's telecommunications industry, was published during the fourth quarter. This issue of *Cuba Today* is the third in a series of four which will examine industry-specific challenges to worker rights in the foreign investment sector on the island. The Spanish translation of the Fall 2001 issue of *Cuba Today* will be published during the first quarter of 2002.

The Cuba project intern gathered materials for the Winter 2002 issue of *Cuba Today*, which will also be published during the first quarter of 2002. This forthcoming issue of *Cuba Today* will cover the mining and heavy industry sectors of investment in Cuba and, like the last several issues, will be published in both Spanish and English.

Looking Ahead

NPA published two articles taken from presentations at the June Montreal conference in the Winter issue of NPA's quarterly journal *Looking Ahead*. Efrén Córdova, a former ILO official and professor, authored one of the articles, and Philip Peters of the Lexington Institute authored the other. Both articles reflect different perspectives on investment in Cuba, but both authors agree that the current labor situation in Cuba is far from meeting core international labor standards.

North American Committee

The North American Committee of the National Policy Association, which initiated the current project on worker rights and foreign investment in Cuba, met in Mexico City on October 18-20, 2001. The Executive Committee discussed the Cuba project at length, offering suggestions for the November 14, 2001 Working Group meeting as well as the roundtable planned for Madrid in the spring of 2002. The NAC Executive Committee expressed its continued support for the work of the program.

Outside Meetings / Contacts

The Project Director met with a number of individuals and organizations during the third quarter to build support for the program and to increase the database of contacts. Ms. Bailey met with the following contacts to discuss strategies to promote worker rights in Cuba:

Peter Corsell, US Interests Section in Havana
Myles Frechette, Hills and Company
Dan Neher, Bureau of Public Diplomacy, US Department of State
Jeff Heynan, Canadian Fulbright Scholar
Sally Grooms Cowal, Cuba Policy Foundation

Ori Soltes, Georgetown University
Richard Nuccio, Pell Center for International Relations and Public Policy
James Carragher, Office of Cuban Affairs, US Department of State
Stephane d'Amours, Consortium, Silicon Island
Robert Pastor, Emory University
John Kavulich, U.S. Cuba Trade and Economic Council

Future Plans for the NPA Cuba Program

NPA submitted a request to USAID for a no-cost extension for a period of four months. USAID granted this extension, which allow the current project to run through May 2002. NPA plans to produce an additional issue of Cuba Today and to host a roundtable in Madrid in mid-May in order to promote a dialogue among Spanish business and civil society leaders about strategies to promote core labor standards in Cuba.

NPA is also working on an amendment to the current project which would seek additional funds to examine the issue of settling expropriated property claims in Cuba. The grant will be submitted in the first quarter of 2002.

FOREIGN INVESTMENT AND WORKER RIGHTS IN CUBA

St. Regis Hotel
923 16th and K Street, NW
Washington, DC
November 14, 2001

AGENDA

9:00 am Welcoming Remarks

Anthony C.E. Quainton, President and CEO, National Policy Association
Charles A. Barrett, Chairman, NPA International Working Group on Cuba

9:15 am Panel One: Working With the Cuban Labor System: A Risk Analysis of Investment

Moderator: Charles A. Barrett
Matias Travieso-Diaz, Partner, Shaw Pittman
Maria Werlau, President, ORBIS International
Arwen Widmer, Political Risk Analyst, Export Development Corporation

10:30 am Coffee Break

10:45 am Panel Two: Promoting Positive Change in Cuba: Can Investors Play a Role?

Moderator: Anthony C.E. Quainton
George Plinio Montalván, Co-Author, The Arcos Principles
Dennis Hays, Executive Vice President, Cuban-American National Foundation
John Kavulich, President, US-Cuba Trade and Economic Council

12:00 pm Closing Remarks

National Policy Association – Cuba Working Group
Foreign Investment and Worker Rights in Cuba
St. Regis Hotel
November 14, 2001

Participant List

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CUBA TODAY

Best Business Practices and Labor Rights

Fall 2001

Vol. 2, No. 3

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CUBA TODAY presents the third issue in a four-part series exploring foreign investment and the rights of workers in Cuba. This issue focuses on the telecommunications industry on the island. There are challenges and opportunities for Cuban workers in this sector as they confront a reality that continually shifts as well as one that reflects decisions made over decades.

CUBA TODAY serves as a forum for dialogue on the interactions between labor and business in Cuba. The following articles note that the modernization of telecommunications

will help to transform Cuba from an emerging nation to an international competitor in the sale of its products and services. Information technology (IT) will become one of Cuba's major exports. Meanwhile, Cuban IT industries are seeking to expand joint ventures with foreign partners, and the government has prioritized improvement of the national telecommunications infrastructure.

The previous two issues of *CUBA TODAY* looked at Cuba's agriculture sector and the tourism industry. The fourth issue in this series will explore heavy industry such as mining.

The Great Possibilities of Telecommunications in Cuba

by Dr. Byron L. Barksdale

Director, Cuba AIDS Project

and John H. Barksdale

Vice President, Havana Bay Company

The theme of the Cuba Pavilion at the 1939 World's Fair in New York City was "The Great Possibilities of Cuba." In the new millennium, a theme for Cuba may be "The Great Possibilities of Telecommunications in Cuba" if a feasible transition occurs that allows all sectors of the economy, including private individuals, to openly access and fully utilize the Internet and telecommunications in Cuba.

TOURISM AND MODERN TELECOMMUNICATIONS

Traditionally, the economy of Cuba has been commodity based, principally on tobacco (cigars), sugar, and rum. While biotechnology and tourism have recently been designated as engines of growth for the new Cuban economy, the historical commercial exports of Cuba remain sugar, tobacco, coffee, seafood, citrus, and

tropical fruits. Cuba has produced an effective vaccine against Type B *Neisseria meningococcal* meningitis that international pharmaceutical giants hope to produce and sell worldwide. This year, Cuba has a goal of receiving two million tourists. These tourists will talk about the world beyond Cuban shores, including the World Wide Web, global politics, world labor activities, and the ease of global connectivity with

modern telecommunications. They will request full Internet access while in Cuba. To meet this demand, Cuba has provided cybercafes, business centers in major hotels, and cellular telephone rentals. Tourists pay a hefty fee for Internet use and mobile telecommunications, about US\$5.00 for 30 minutes at Habana Libre Hotel. The broad range of information, products, and services that the Internet provides, demonstrated daily by tourists' use of the Internet, has not gone unnoticed by workers in Cuba.

An International Network and Telecommunications Conference is held annually in Havana under the auspices of the Centro de Diseño de Sistemas Automatizados, a branch of the Ministry of Science, Technology, and Environment. These conferences explore electronic commerce, new Internet technologies, utilization of the Web, security of networks, and information services, and they feature exhibits of modern networking products and technologies.

FUELING THE UNDERGROUND ECONOMY

Despite the growing awareness of the Internet among the Cuban populace, as in China, the Cuban government has temporarily limited — through cost, access restrictions, strict and severe penalties, and inadequate infrastructure — the presence of the Internet and modern telecommunications among private

citizens. However, Cuba's highly educated population is countering the restrictive efforts of the government. Workers in all sectors of the economy are increasingly likely to have completed high school or a five-year university education. These educated workers see foreigners using cell phones, the Internet, and other media to coordinate their daily activities; they see tourists networking and leaving Cuba, if only in cyberspace, for remote destinations on the Web, including U.S.-domiciled Web sites. Cuban workers and their families want whatever it takes to be a part of the global community.

The government's prohibitions and harassment are relatively insignificant obstacles to Internet usage for a population burdened by a weak economy. In fact, many Cuban workers and private citizens view the Internet as a major way to improve their financial net worth by privately and directly selling art, music, and crafts and contracting with tourists planning to visit Cuba. These growing entrepreneurial efforts, facilitated by the Internet and telecommunications, bypass Cuban legal and tax authorities. Such capitalism in action fuels the underground economy and individual prosperity because the entrepreneurs are paid directly by foreigners in untaxed dollars.

Young Cuban workers, like their counterparts in China, want to be compensated for their goods and services at market rates, not

through the structured compensation of a socialist economy. Further motivating Cubans to augment and "squirrel away" their assets are recurring concerns about the health of Fidel Castro and what will happen in Cuba when he dies. Democratic nations and worker friendly unions should encourage Cuban entrepreneurial efforts because they will eventually contribute to the underpinnings of "Best Business Practices" needed in Cuba in the post-Castro era.

THE GROWTH OF INFORMÁTICOS AND "BLACK MARKET ACCOUNTS"

As the island integrates into the world economy, the Cuban people are becoming more Internet and telecommunications savvy and, as noted, are ignoring a law that prohibits unauthorized private Internet use in Cuba. A growing number of new revolutionaries, known as *informáticos*, are resisting the efforts of the government to "keep the Cuban version of the Internet Genie in its socialist embodied lamp." Private citizens, including employees at cybercafes, tourist resorts, and universities, are increasingly logging onto Yahoo Spanish language-based homepages or CNN, have user names on Yahoo or Hotmail to access e-mail, utilize instant messaging, read foreign publications, search large internationally located databases, and download music and images.

Older Cuban workers remember the extensive rights accorded to workers under the 1934, 1935, and 1940 Constitutions. In 1940, the Cuban Socialist Party applauded the new worker rights, which included the right to form independent unions, to strike (with notice to the Secretariat of Labor), to individual or collective bargaining, to freedom of assembly, speech, and the press, and to prohibit forced labor. In 1959, the Castro government suspended the 1940 Constitution and later attempted to address those rights in the socialist Cuban Constitution of 1992. However, this later version of worker rights is secondary to socialist dogma and is adjudicated arbitrarily by socialist-oriented (versus politically impartial) courts. Further, as Article 62 of the 1992 Constitution states, none of these rights "can be exercised against the 1992 Constitution and Cuban laws, nor against the socialist state."

To have full (albeit illegal) Internet access in Cuba requires a private telephone line (which is difficult to obtain), an Internet access device (usually a personal computer with a modem), and dial-in capability to the Internet for a monthly fee (about \$35 per month). Private black market full Internet access is one of the most rapidly growing areas of the underground economy. To offset the growth of these "black market accounts" or "account sharing" of uncensored information by individuals, the government is plac-

ing more computers in public schools and opening and operating cybercafes (in the Plaza de Armas and the Capitolio, for example). The state is also allowing widespread access by young people to formal and Internet-facilitated computer courses and a censored version of the Internet through universities, secondary schools, post offices, and 150 socialist-oriented, government-supervised Youth Computer Clubs.

EARLY TELECOMMUNICATIONS EFFORTS

After the Spanish-American War, the United States put in place the foundation for public health, housing, transportation, and telecommunications projects in Cuba. The first telephone company was the Cuban American Telephone Company prior to World War I. The first undersea cable between Cuba and the United States was installed by AT&T in 1921.

The pace of improvements in telecommunications in Cuba (mostly implemented from 1938 through 1945) abruptly stopped with the 1959 insurrection against Batista and the U.S.-imposed trade embargo instituted in 1962. Land reform, education reform, health reform, and nationalization of non-Cuban companies, along with the defense of the new government, took priority.

By 1995, the government's multidecade neglect of Cuban telecommunications resulted in infrastruc-

ture that was obsolete and in poor working condition. Outdated coaxial cable trunk systems, using an X.25 network, are standard in Cuba. High speed Internet and telecommunications services, domestically and those connected to international communities, are limited despite the 1980 authorization by the Cuban Communist Party Congress of the development of computerized telecommunications. The first real domestic electronic network did not become operative in Cuba until 1988. AT&T, Sprint, and MCI began offering direct dialing to Cuba in 1994. However, payment of usage tax and royalties to Cuba has been clouded by recent U.S. court decisions following the "Brothers to the Rescue" incident when Cuban jets shot down civilian airplanes over the Florida Straits in 1996.

INCREASING CUBA'S GNP THROUGH TELECOMMUNICATIONS

For its future gross national product growth, Cuba is betting heavily on hard currency earnings in fields such as biotechnology, medicine, and tourism, fields that demand state-of-the-art telecommunications and connectivity to the Internet. As Cuba tries to diversify its national products and services away from commodity-based sectors, principally agriculture, the great possibilities (and realities) of modern telecommunications are becoming more evident:

- internationally — Cuban Web masters are creating attractive Web sites (under the .cu domain) to lure tourists and foreign investors to the island and to sell Cuban products; and
- domestically — historic avenues are being dug up to lay high speed digital lines and cable.

There are four major Cuban government-controlled networks: CENIAI, CIGBnet, TinoRed, and InfoMed. International Internet connectivity of academic institutions, government-owned commercial entities, and research facilities appears to be more important to the government than individual Internet access. Portability and mobility through wireless networks are becoming more evident in Cuba today through joint ventures with foreign entities. One example is Teléfonos Celulares de Cuba (Cubacel), the cell phone company of Cuba. Cubacel offers products and services in Havana and major tourist areas. Cubacel was originally a joint venture between Telecomunicaciones Internacionales de México, S.A. (TIMSA) and Cuba. Sherritt International, based in Toronto, owns a minority interest in Cubacel.

DESPITE BARRIERS, OPPORTUNITIES ABOUND

Ramping up telecommunications in Cuba requires a tremendous amount of capital that socialist Cuba simply does not have, and

there are numerous difficulties ahead in modernizing telecommunications and the Internet. Potential joint ventures with the Cuban telephone system face three primary obstacles. First, the telephone network is inherently the same as it was prior to the 1959 revolution. Second, remittances between the United States and Cuba have been affected by recent U.S. court decrees, and these have had a chilling effect on potential investors. Indeed, Cuba cannot receive remittances from its largest long-distance market. Finally, the Cuban economy and peso (which lacks liquid hard currency convertibility) remain fragile despite meager gains during Cuba's recovery from the "Special Period," precipitated by the collapse of the USSR. Socialist Cuba, like North Korea, remains a relic of the Cold War. Despite these barriers, however, and where permitted, opportunities abound within strategic initiatives being put in place by the Cuban government and funded through joint ventures with foreign domiciled partners.

Cuba is an emerging nation in terms of realizing the full potential of modern telecommunications, data communications, and the Internet. Nevertheless, these areas will improve dramatically by 2004. By then, per capita Internet access and use (including e-learning) will increase, infrastructure barriers will be removed, network security questions will be properly addressed, and high access charges will be re-

solved. Private citizen use of the Internet will thus dramatically increase. These changes will lead Cuba's workers, especially entrepreneurs, further into a knowledge economy and e-commerce. Cuba will be on its way to becoming competitive in the sale of its products and services in global markets. ■

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Members of the Cuba Working Group

- AFL-CIO American Center for International Labor Solidarity (ACILS)
- American Chamber of Commerce of Cuba in the United States (AmCham Cuba)
- Confederation of Netherlands Industry and Employers (VNO-NCW)
- Consejo Mexicano de Comercio Exterior (COMCE)
- The Conference Board of Canada
- Cuba Policy Foundation
- Florida International University
- Instituto Tecnológico Autónomo de México (ITAM)
- National Policy Association
- Pax Christi Netherlands
- Prince of Wales Business Leaders Forum
- United Food and Commercial Workers International Union (UFCW)
- U.S. Chamber of Commerce
- U.S. Cuba Business Council

Human Development Is Key to Cuba's Growth as a Silicon Island

by *Stephane d'Amours*

President, Consortium, Silicon Island Inc.

Another revolution is ongoing in Cuba, an e-revolution that is based on human development.

Cuba will emerge in the new economy as an information-rich, highly educated, and intelligence-oriented nation. Information technology (IT) will become one of its major exports. Thousands of foreign students will e-learn in Cuban universities, medical professionals from around the world will use Cuba's tele-health services, and Cuba's call centers will serve Spanish-speaking markets. International IT companies will make strategic alliances with Cuba in order to enter the future markets of the Free Trade Agreement of the Americas.

Almost every sector of the Cuban economy is now open to foreign investors. The Cuban government is determined to make Cuba a viable and prosperous hi-tech economy — a Silicon Island.

Cuban IT companies and the thousands of highly skilled Cuban workers who already have 5-20 years of experience in this field want to establish dynamic partnerships with foreign investors. The Cuban IT companies focus on turn-key software development, offshore programming, tele-health, multimedia, tourism, agriculture, and geomatic solutions (such as aeronautical charts, geodetic surveys, and remote sensing). Software ex-

ports are already worth millions of dollars and have grown more than 600 percent since 1999.

THE HUMAN FACTOR

Human development is the key to the success of the IT revolution in Cuba. The island has a significant advantage over its competitors because it provides social services such as education and health to its citizens. Software industry decision-makers are highly attuned to the human factor, which is their greatest asset.

Cuba has the most qualified human resource pool in the hemisphere. The Cuban education system and the government's commitment to educate students in information technology through centers of higher learning single Cuba out among the nations in the region. Cuba has almost 24,000 professors and more than 300,000 students in 47 universities island-wide. It has more university and college graduates per capita than any Latin American country. IT is an integral part of the education system; it begins in the seventh grade in primary school and continues through universities and technical colleges.

In 1970, the University of La Havana and the Central University of Las Villas were the first in Cuba to have a master's degree program in computer science. Since then, a

number of specialized higher education programs have been expanded to include computer engineering, telecommunications engineering, robotics, systems control, and automation engineering. More than 30,000 students have graduated from higher education programs in computer science and electronics. Thousands of teaching degrees have also been awarded in higher education mathematics and computer science. In response to the needs of and the skills required by the Cuban and international IT industry, universities in Cuba currently offer 10 master's degree programs focusing on IT.

The average teacher-professor/student ratio for all education levels is 1 to 14. One out of 15 Cubans is a university graduate. One out of 8 Cubans is a technician. Cuba has 12 percent of all the engineers in South America and the Caribbean.

Numerous examples can be found today in Cuba of aeronautical engineers working as taxi drivers and doctors working as waiters in bars and restaurants. However, as Cuba begins to more fully make use of its valuable human resources, there will be more cases of people working in their chosen profession. The development of the Cuban IT industry will contribute to the more extensive use of the island's highly skilled labor force. Indeed, the

growth of IT is bringing great jobs. The highly motivated skilled IT workers will contribute to major economic improvements in Cuba.

Many IT companies have introduced special incentives, such as bonuses and increased social benefits, to prevent the brain drain and encourage IT workers to remain at home. Working conditions in Cuban software companies are similar to those in North America; they are dynamic and allow for creativity. Women and youth account for a large part of this new generation of e-revolutionaries.

THE GOVERNMENT'S VISION

The Cuban government recently created a new ministry as an arm for its IT strategy: the Ministry of Information and Communications

(MIC). Its main objectives are to increase computer access for all Cuban society and to promote the growth of Cuba's IT industry.

At the core of the plan is a national intranet with wide access to schools, computing clubs, and post offices. The telephone system will be upgraded at a cost of hundreds of millions of U.S. dollars. The telecommunications network will be fully digitalized. This plan will bring IT into every sector of the economy. It will increase access to information, communication, and services for Cuban citizens, and it will allow the country to enter the new info-economy.

President George W. Bush has stated that the Internet will bring freedom to China. U.S. Secretary of State Colin Powell has asserted that

"The rise of democracy and the power of the information revolution combine to leverage each other." Some hope that technology will help bring about that change in Cuba. When more people communicate, ideas flow more freely. ■

REFERENCES

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 The Government of Cuba: <http://www.cubagob.cu/>
 American University, Washington D.C.: <http://www.american.edu/carmel/ms4917a/cuba.htm>
 Cuba's Ministry of Information and Communications: http://www.cubagob.cu/des_eco/mic/default.html
 University of Texas/LANIC: <http://www.lanic.utexas.edu/la/cb/cuba/>

Telecommunications in Cuba: Present and Future

by Enrique J. Lopez

President, AKL Group, Inc.

Telecommunications is a primary catalyst in the economic growth of developing nations. Cuba is no exception. Telecommunications in the Third World has traditionally been limited to voice communications within the limited national networks that connect these countries to the international community. Long distance calling service has long been a reliable and significant source of revenue for the developing world.

The global evolution of the "information landscape" has expanded available media and methods of communication. Today's telecommunications portfolio consists, minimally, of transporting voice, data, and video communications through diversified information highways that range from traditional telephone networks to sophisticated wireless communications platforms. The need to transport various forms of information is

driven by current regional and global economic realities. A deficient national telecommunications infrastructure is a significant handicap.

UPGRADING CUBA'S TELECOMMUNICATIONS INFRASTRUCTURE

Cuba recognized this problem and prioritized the evolution of its national telecommunications infra-

structure to digital technology. In 1991, it launched its first private investment participation in a joint venture with Telecomunicaciones Internacionales de México, S.A. (TIMSA), and its state-owned telecommunications company, creating Teléfonos Celulares de Cuba (Cubacel), a cellular telephone service provider. Cuba has continued to participate in other joint ventures with foreign partners from Mexico (Grupo Domos, 1994), Italy (STET, 1995), Canada (Sherritt International, 1998), and Taiwan (Zytel, 2000). China is an active participant in Cuba's telecommunications industry, having given Cuba US\$200 million in soft credits for the purchase of Chinese telecommunications equipment, contracted with ETEC S.A. (Cuba's national telecommunications provider) to supply US\$300 million in equipment, and donated and installed a digital system. Grupo Domos' participation was unsuccessful due to the financial difficulties it encountered during Mexico's economic recession of 1995, which forced the group to sell its participation to STET.

The island's present telephone density of between 4.5 to 5.5 lines per 100 inhabitants remains low by global standards and even ranks below that of its neighboring Caribbean countries. Estimates of the investment required to upgrade Cuba's national telecommunications infrastructure range from US\$900 million for the national telephone infrastructure to approximately US\$2.5 billion for the full comple-

ment of voice, data, and video communications infrastructure. The estimate includes increasing the national telephone density to 11 per 100 inhabitants, with the density expanding to 15 per 100 inhabitants in the city of Havana by 2004.

Officials estimate that investment to date has been in excess of US\$1 billion, primarily for industry sectors that required upgraded service levels to operate and generate much needed revenue. Prioritized sectors are education, medicine, tourism, government, business, diplomatic corps, and financial institutions. The long-term real growth of telecommunications must rely on these sectors because the disposable income of the Cuban people will not support the per line revenues necessary for the planned upgrades. Also playing a significant role in how fast the planned national deployment can occur will be the government's flexibility in relaxing its political agenda and allowing citizens unrestricted access to the world via voice and data communications. Since the beginning of the Cuban revolution, the flow of information within the country and with the outside world has been closely monitored.

International long distance service has been a primary revenue generator within Cuba's telecommunications industry. A significant majority of this revenue stream, approximately between \$50 million-\$70 million, comes from the long distance traffic between Cuba and the United States. This revenue will be affected in the future as Cuba

expands its efforts to include national digital networks capable of supporting electronic mail, Internet access, voice-over Internet protocol, and other applications that do not rely on a voice-based network.

A REGIONAL TELECOMMUNICATIONS HUB

Cuba's telecommunications future will not depend solely on the island's ability to improve the national telecommunications infrastructure. It will also depend on Cuba's ability to capitalize on its geographic location and size. These factors make Cuba a potential candidate for a regional telecommunications hub. Other factors on Cuba's side are its cultural and language affinity with most of its Caribbean and Latin American neighbors, proximity to the North American market, education level of the Cuban people, widespread health care, and low labor costs.

As a regional telecommunications hub, Cuba could provide operator and directory assistance services for international long distance carriers as well as regional market support call centers for multi-industry manufacturers and vendors. Cuba could realize these services by improving its internal telecommunications infrastructure and establishing connectivity with the multiple fiber optic routes and hundreds of undersea miles of fiber optics that exist in the region. This connectivity would give Cuba a much needed high speed technological door to the world.

U.S. foreign policy toward Cuba will be a major force in the economic development of the island, including the magnitude and pace of foreign investment in Cuba. Telecommunications is but one sector that will be impacted by American policy, primarily due to the sector's high dependence on technology and its cost. Cuba's present financial position, its population's low per capita income, and a global shortage of investment capital do not support foreign investors' plans for profitability within the telecommunications sector. The events on September 11, 2001, may have an impact on U.S. foreign policy toward Cuba, one that may reflect a stronger stance that could further erode the island's efforts to attract foreign investment in technology-related sectors. ■

Cuban Telecom Facts

- Telephone density remains low by global standards, ranging between 4.5 lines and 5.5 lines per 100 inhabitants, and is well below the density of neighboring Caribbean countries.
- Estimates of required investment for upgrading Cuba's national telecommunications infrastructure range from US\$900 million for the national telephone infrastructure to approximately US\$2.5 billion for the full complement of voice, data, and video communications infrastructure.
- There are an estimated 5,500 to 7,000 cellular subscribers today in Cuba.
- Software exports are already worth millions of dollars and have grown more than 600 percent since 1999.
- Cuban officials say that foreign companies and the government have made investments of more than US\$1 billion in the telecommunications sector since the early 1990s.
- For the first quarter of 2001, Telecom Italia S.p.A. reported a 17 percent decrease in operating income for ETEC S.A., Cuba's national telecommunications provider. The drop followed the severing of links with the United States by the Cuban government on December 15, 2000, the last step in the long battle between Cuba and America over the two U.S. aircraft shot down by Cuban aviation in 1996.
- International traffic in Cuban telecommunications fell by 8 percent in that quarter, a loss only partially offset by a 5 percent rise in national traffic stemming from growing Internet use.

Sources: *Business Guide to Cuba* (CubaNews, 2000) and *Economic Eye on Cuba* (U.S. - Cuba Trade and Economic Council, Inc., Oct. 22-28, 2001).

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LOOKING AHEAD

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by Efrén Córdova

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A World Transformed

*by Anthony C.E. Quinton
NPA President and CEO*

Articles in this issue of *Looking Ahead* look to the future with a special sense of purpose. It is commonplace to say that the world has changed irrevocably since September 11. But, in fact, many of the most important changes that lie ahead were already under way or clearly discernable when America was attacked. The National Policy Association's long-established effort to focus on salient, emerging themes is reflected in this issue, which analyzes changes that we can anticipate in our national workplace and in relations with three of our neighbors: Mexico, Canada, and Cuba.

Global terrorism has brought a new focus on security. It has also brought a new sense of insecurity to the lives of millions of American families. This new concern has been added to the many other stresses relating to working conditions, job security, and family commitments. All pose serious challenges to the health of America's working families. Ellen Galinsky's article thoughtfully explores these new stresses and suggests ways in which business and society can address them.

The remaining articles look at America's neighbors, all of which are undergoing important transformations. For our two contiguous neighbors, NAFTA has been an engine of change in a world of increasing economic integration. But far more needs to be done in the area of energy and infrastructure if North America is to become a more functional union over the next two decades. September 11 has made us all too aware of the importance of our northern and southern borders and of our dependence on Middle Eastern oil. An important part of the solution is an integrated, deregulated energy market in North America. Joseph Dukert points the way to a new understanding of what our mutual dependence means.

From only one of our neighbors—Cuba—are we profoundly estranged. The legacy of the Cold War hangs heavily over the relationship. Yet, here too, change is on the way, perhaps sooner than we anticipate. In looking toward a transition to democracy, we need to understand how the existing Cuban socialist system works and how it is likely to evolve. Philip Peters and Efrén Córdova give us different, but important, perspectives on the role of labor in the Cuban economy.

The bottom line for *Looking Ahead's* authors is the inevitability of change. NPA, committed to finding "Policy solutions for the 21st century," welcomes their diverse and provocative views.

THE IMPACT OF SEPTEMBER 11 ON WORK AND FAMILIES

By Ellen Galinsky

There are brief moments in New York City on a beautiful, sunny day when life seems almost normal. Then reality returns with a glimpse of the smoking, skeletal remains of the Twin Towers.

I recently attended a memorial service for a 40-year-old man who was killed in the Twin Towers attack. He had been married for just a year and a half and had his life ahead of him. In giving one of the eulogies, his brother said that he felt as if he were standing with his back to the sea. Waves continued to sweep over him. He could not tell when they would come or how large they would be. We all feel as he does, whether or not we lost loved ones in the attacks in New York and Washington, D.C. Each of us wonders how to cope and how to contribute.

RESPONSES TO CHANGE

Family life and personal life have typically been seen as a distraction from work, an interference. As an example, a young woman I know was working in her office in New York City on September 13 when she heard the authorities on bullhorns advising

people to evacuate because of bomb threats in the neighborhood. Employees were streaming out of nearby buildings. As a single parent of an eight-year old child, she was frightened and wanted to be with her son. When she asked her boss if she could leave, he said, "No. I don't care if there are bombs. We have work to finish."

Although such exchanges between a boss and an employee do take place, even in the best of companies and over issues that are less life threatening than a bomb scare, they are increasingly rare. The Families and Work Institute (FWI) has noted this decrease empirically in its studies (for example, in its *National Study of the Changing Workforce*) that track how nationally representative groups of employees feel they are treated when a personal or family issue emerges at the workplace.

The way that supervisors respond to the personal and family issues of employees has changed, even over the past five years. Such changes are much more complicated than instituting workplace programs or policies, as important as those

are, because they involve a change in behavior and in culture.

Further changes are needed, given today's different landscape in which all of us are standing with our backs to the sea, where waves, small and large, are sweeping over us. We are living not with predictable post-traumatic stress syndrome, but with new territory.

Nevertheless, the shifts that people have been exhibiting were latent; the



The author is President and Cofounder of the Families and Work Institute. This article has been adapted from her address at NPA's New American Realities Committee meeting on November 8, 2001, held in New York City. The author also presented this topic at the Working Mother Congress in October 2001.

"Everyone, from the CEO and now especially to the mail room employee, is asking 'Will I be safe? How can I cope? How can I contribute?'"

events of September simply brought them into clearer view. These shifts show the desire among us all to do work that is meaningful and to be able to focus on the people who are important in our lives.

The reaction of university students to September 11—that it has made them think with greater clarity about what they want to do with their lives—attests to this desire. People at work are also asking themselves, "What is of value, what is core?" If we have to leave our loved ones to go to work every day, we want that work to mean something.

This focus is not new. FWI research has increasingly shown that quality jobs—where employees believe that their work is meaningful, challenging, and makes a difference—are critical to the way that people manage their work lives and their home lives. The emphasis on meaningful work has clearly become louder and stronger. So, too, has the emphasis on family and personal life.

A letter to the Friends of FWI after the September 11 attacks said: "Through all the heart-wrenching sadness of the past few months and in the uncertain days ahead, the relevance and power of the bonds

between workplace, home, and community are undeniable."

Everyone, from the CEO and now especially to the mail room employee, is asking "Will I be safe? How can I cope? How can I contribute?" Far too many are also asking "Will the business downturn mean that I don't have a job?"

There are 10 essential tasks to help employees and employers cope, find meaningful work, and contribute.

1. Continue to Ask Employees What They Need

No one knows what lies ahead, but we have to be ready. Companies will be able to address employees' needs for coping during these times only by continuing to ask them what their concerns are. At the top of worker concerns may be job security, not just safety, and companies will have to address that issue as well.

The same is true for family and friends outside work. FWI is administering a new study of children and violence (in the "Ask the Children" series) in which children are asked, "If you could make one change that would reduce the violence in your lives, what would that change be?" Although the study was not planned to address the current situation, it is certainly timely. Children can tell us things that we need to know. So can employees.

2. Destigmatize the Need to Ask for Help and Provide Opportunities for Employees to Do So

FWI recently conducted a conference call with the companies that are part of the Conference Board's Work-Life Leadership Council on their responses

to the September 11 attacks. Each one spoke of their employees' desire to tell their stories, although many employees felt that there was a stigma in reaching out to one another. It is as if everyone has a mental picture indelibly etched on their consciousness of a big Freudian couch like the one in *The New Yorker* cartoons about therapy. We say that we do not need that kind of help, that we do not have those problems.

Yet we all need to talk to and reach out to each other in these trying times. Employers should change their language from a deficit to a strengths approach, perhaps even avoiding the use of the word "counseling" to be able to reach everyone. The approach could be called "wellness" or "education" or "briefings" or "resilience" because it encompasses all of these.

Whatever companies call it, they must do it. They should set up seminars on "Leading in an Uncertain World" and "Living in the Moment," as one firm did. They should create affinity groups where parents can talk with other parents, care givers of the elderly can talk with similar care givers, and singles can talk with other singles. Hot lines, chat rooms, and vendors who offer information and counseling are important in helping people to cope.

These measures are crucial because, even before September 11, there were signs that the well-being of employees was in jeopardy. One of the findings that led to FWI's recent study on *Feeling Overworked* was a statement from the World Health Organization that in both industrialized and non-industrialized countries, clinical depression is expected to replace cancer as the number two cause of death and disability by 2020. This trend is occurring in

"Companies must find new ways to create traditions at work and to uphold old ones. They must help employees realize the importance of establishing and upholding traditions at home."

part because people with cancer are living longer and in part because of the pervasiveness of emotional health issues and the stigma associated with getting the necessary support and help.

The tragedy of September 11 and the ensuing events have hit particularly hard those who were already stressed or suffering from emotional problems. In addition to offering help through traditional methods, employers can provide support through meditation, tai-chi, chi gong, or yoga. The work of attending to the well-being of all employees—of helping them respond to the waves, large or small, that are

sweeping over them—is more crucial now than ever.

3. Create New Traditions at Work and Uphold Old Ones; Help Employees Do the Same at Home

An event at KPMG illustrates the need for tradition. At 11 o'clock one morning soon after the attacks, employees received an e-mail from the main office inviting them to gather at the flagpole at 1 o'clock. Not many even knew that KPMG had a flagpole, much less where to find it. But hundreds of employees found their way to the flagpole to share their stories, to

console each other, to sing, and to have a moment of silence during which everyone held hands. Some employees did not get the e-mail in time to attend that gathering, so at 3 o'clock a second spontaneous ceremony was held at the flagpole. That ceremony, much needed to help people through those tough times, will probably become a tradition. Tradition, routine, and rituals serve as lights that guide people over rough waters.

In my book *Ask the Children*, children told me they would remember most from this period their everyday family traditions—the wake-up song in the morning, the Friday evening dinner when each person told about his or her week, and the biscuit making on Sunday morning. Similarly, when Morrie, the dying professor in the book *Tuesdays with Morrie*, was asked what he would do if he had his health back for just one day, he talked about the everyday traditions that made his life meaningful.

Companies must find new ways to create traditions at work and to uphold old ones. They must help employees realize the importance of establishing and upholding traditions at home.

4. Help Employees Help the People Who Are Close to Them

When the United States began air strikes in October, I was with some young parents who were watching the events on television. Children were also present, seemingly playing and not looking at the TV. I suggested to one parent that perhaps her child should not be watching the news coverage. She replied, "He's not watching; he's playing." But his eyes said otherwise; while he was surreptitiously playing with toys, he was really trying to



"Companies must continue to assist employees in understanding how, with families and friends, to handle an unfolding situation."

figure out what was going on with the adults. Children watch adults all the time, learning from them and looking for clues to understand their moods and behaviors.

FWI has been gathering data on "Employers' Responses to September 11" (available at www.familiesandwork.org). Many companies have been doing an excellent job in providing information to employees on how to help their loved ones cope. As the landscape changes, there will be an ongoing need for new information. Companies must continue to assist employees in understanding how, with families and friends, to handle an unfolding situation.

5. Help Managers Help Others

Managers, of course, are central to the functioning of companies. Managers will say that their job is to get people to produce, not to be social workers. Managers are the culture carriers. They are the ones who handle emergencies and everyday situations with skill. Yet many are unsure of what to do in the new climate. Nevertheless, they see what is going on, and they have to make decisions. For example, an employee refuses to leave her home after the attacks and insists on telecommuting. Is that acceptable to the company and for how long? Should she be given counseling? Another employee cannot focus on his work. He is irritable, not working, and angering his team members. What should be done?

How should the company respond to a sales employee who says that his family does not want him to travel? Employers ask, "Is paranoia now normal?"

The emotions and minds of people cannot be divided; studies that examine the development of the human brain clearly show that the two are very interconnected. Emotional well-being is tied to the capacity to create a product, to make a deadline, to deliver on time.

Companies must support managers. They should give them written materials and provide briefings on how to deal with the changes that might be expected from employees. Firms should also help managers realize that they may need to ask for help and what help is available.

6. Company leaders Should Continue to Provide Ongoing Communication with Employees

It was striking, but not surprising, to hear how important the leadership of companies has been in these trying times. In collecting companies' responses to the September 11 attacks, FWI heard many reports about the CEOs and other top leaders who talked with employees about how they were doing or who sent daily e-mail messages of support. Ongoing communication between company leaders and staff is particularly necessary now.

In addition, employees feel proud to be a part of an enterprise in which the CEO designated the company plane to

provide medical supplies for the injured in New York, commends employees for how well they are managing, or used the money earmarked for the office holiday party to make a charitable donation instead.

7. Help Those Who Help Others

The people in the company whose job is to help employees—human resource professionals, counselors, and others—will need help and support themselves, as will the organizational leadership. People who help others must also care for themselves. This is not selfish, but necessary.

8. Focus on Work Redesign Efforts and on Making Work Meaningful

A number of organizations have been engaged in efforts to redesign work, taking the whole employee into account. The call for meaningful work is even more salient today. If we must leave our loved ones and brave the transportation system to go to work, if we have to take planes and trains, cross bridges, and go into tunnels, we want the work that we do to be important.

It has been statistically proved that job quality and a supportive workplace make the difference in whether employees go home satisfied and energetic. But in a period of cost cutting, how can firms focus on work redesign? Today, employees and employers are doing more with less. Companies are downsizing, fewer people are doing the work, and more is expected of them. How can companies focus on good quality, reasonable jobs when the economic stakes are so high?

Nevertheless, we know that we must make work more meaningful. The companies that pay attention to how

"Companies respect diversity. They have been watchful for signs of discrimination and have emphasized the importance of respect and responsibility."

people work and to making work reasonable will fare better in the long haul, as the findings in this field confirm. A telecommunications executive recently told me, "We have to make it better for people to work in this environment. It is as true for me as it is for the 35,000 employees in the business I manage."

9. Focus on Diversity

On September 13, FWI held an all-staff conference call. Members of the staff had very different reactions to the Twin Towers and Pentagon attacks. Some wanted to talk about how we as an organization might contribute, while others wanted to talk about their feelings and were upset by the discussion of work. One person reported that she would no longer fly, a remark that upset another staff member whose husband has to commute to work by plane each week.

Diversity encompasses more than gender, race or ethnicity, age, personal and family status, and religion. It also includes the quite different ways that each person thinks and responds. There are clear differences within as well as among groups.

FWI's list of "Employers' Responses to September 11" shows that companies respect diversity. They have been watchful for signs of discrimination and have emphasized the importance of respect and responsibility. One employer with a significant number of Middle Eastern employees in small businesses

around the country reported, not surprisingly, of increased incidents of harassment. The firm developed a way that the scattered employees could talk to each other and to professionals for help in responding to any persecution. DuPont provides a letter for their employees to carry with them stating that they are traveling on DuPont business. The company has a 24-hour hotline to verify this fact.

10. Continue to Offer Opportunities for Employees to Be Connected to Their Communities

Research shows that taking steps to address a problem is an important

aspect of recovery and resilience for both the young and the elderly. Companies have had blood drives, food drives, and days of remembrance. They have given employees time off to assist in these efforts. Such measures should not be considered simply an immediate response to the attacks, but should be part of an ongoing strategy.

CONCLUSION

It is clear that now more than ever, companies must address the whole employee. In addition, many people believe that this tragedy has helped them to treasure each day. Perhaps more are learning to be thankful for what they have and not to dwell on what they do not have. If people can incorporate these principles into their work and home life, both will improve. It is not a win-lose situation, but a win-win for all. ■



MUTUALLY REINFORCING, BUT DISTINCT, NATIONAL ENERGY POLICIES FOR NAFTA

By Joseph M. Dukert

The energy economies of Mexico, Canada, and the United States are growing steadily more interdependent with each new pipeline and power line that crosses the borders. This is a healthy development, despite the wails heard last Winter and Spring stemming from temporary energy shortages and soaring prices in all three countries. That extraordinary situation resulted from a combination of drought, cold weather, a long period of naive energy policies by California, and a poorly conceived and executed effort at utility deregulation in that state. The shortages and price hikes certainly were not caused by the North American Free Trade Agreement (NAFTA), by free trade, or by the genuine, ongoing shift toward allowing the laws of supply and demand to determine where, when, and how energy resources are tapped and distributed. These are part of the solution to energy problems for each country.

The author is Energy Consultant and Senior Advisor, North American Commission for Environmental Cooperation, North American Free Trade Agreement. This article has been excerpted from the author's opening remarks in a panel discussion on "The Challenges for a Common Energy Policy in North America" at the October 19, 2001, meeting of the North American Committee in Mexico City.

DIFFERENT PROBLEMS BUT COMPLEMENTARY INTERESTS

In terms of "solving" energy problems, however, the problems (and thus their solutions) are not identical for Mexico, Canada, and the United States. The three nations vary considerably in population, geography, natural resources, and energy balance. These and other differences are bound to be reflected in their respective energy outlooks.

Ignoring for a moment the recent global economic downturn, demand for all forms of energy is expected to increase more rapidly in Mexico than in its two NAFTA partners over the next several decades. This growing demand will come from fast-rising residential and transportation living standards, as well as from industrial and overall economic development resulting from Mexico's relatively new role as a member of the Organization for Economic Cooperation and Development (OECD). While the United States depends on imports for a significant share of its energy budget, both Canada and Mexico are net exporters of total energy. Oil exports are especially critical economically for Mexico, although the country has become (for the time being) a net

importer of natural gas from north of the border. It would be easy to enumerate other major differences that might affect national energy interests.

Nevertheless, the three countries have bonded into the largest and most successful energy market in the world. A complex of circumstances permitted this, and the interests of the three in strengthening this market are now clearly complementary. Gas trade between the United States and Mexico, for example, falls naturally into a counterclockwise flow—moving southward along the western part of the border and northward in the east. With the development of the Burgos Basin, Mexican gas could at times in the future flow to Houston and eastward as well as to Monterrey; simultaneously, a pipeline could supply U.S. gas to Samalayuca's clean new generating equipment in the state of Chihuahua. Several Canadian provinces trade more electricity with the United States than they do with the rest of their own country, and an important amount of electricity swapping takes place between the United States and Canada on a seasonal basis. Utilities in Texas furnish electricity as needed to Mexican border areas, yet one-third of the power to be generated by Rosarito 10 and 11 (an installation authorized in 2000 by

"Trade works in both directions, so there are no 'junior or senior partners' in the North American energy community."

the Comisión Federal de Electricidad [CFE] at Mexicali) is now designated to go to San Diego. Trade works in both directions, so, in the words of U.S. Energy Secretary Spencer Abraham, there are no "junior or senior partners" in the North American energy community.¹

A TRILATERAL FOCUS ON ENERGY ISSUES

This is more than rhetoric. In March 2001, the three energy ministers agreed to set up a trilateral Working Group system to address specific issues. Mexico has assumed the lead position in the subgroup devoted to energy efficiency, a critical area. A unit of energy saved is just as valuable as the same unit in the form of oil, gas, coal, or electricity, and it may be more economical over time. Canada leads the subgroup on electricity. The United States, with the resources and experience of its semi-autonomous Energy Information Administration, is focusing initially on how to consolidate methods of timely measurement and uniform accounting through a third subgroup. A fourth chosen area of concentration is science and technology, which may be addressed by a series of bilateral measures. It is probably also reasonable to assume that the Working Group will deal in the future



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with other areas of common interest, such as regulation and appropriate applications for renewable energy.

The Commission for Environmental Cooperation, another trilateral group, is distinct from the Working Group and lies completely outside the energy ministries. The CEC was established under a side agreement during ratification procedures for NAFTA, and it brings together the heads of the federal environmental agencies of each country. Because energy and environmental policies overlap, the CEC Secretariat in Montreal is currently circulating for public comment a number of draft working papers, studies, and a discussion paper that laid the groundwork for a two-day symposium in La Jolla, California, November 29-30, 2001, on "Electricity and the Environment."²

There seemed to be broad accord that some government interventions were needed (even under free market rules) in all three national jurisdictions—most likely in the form of mutually accepted emission standards, transparent regulatory hearings, and an effort to simplify the hodgepodge of contradictory rules that even include a

large number of different definitions for renewable energy. Yet, there was ample evidence that the many differences among the three NAFTA partners all but precluded the possibility of universal identical standards. Subnational cooperation (including nongovernmental as well as governmental actors from various levels) has already begun on a regional basis along the borders in both the Southwest and Northwest United States. This approach holds considerable promise.

One finding has been that forecasts of environmental results are exceedingly difficult because of unpredictable variables, including economic growth, which is a basic determinant in demand for electricity. The CEC publications are evenhanded, noting the potential benefits of international electricity trade, but also the dangers of "pollution havens" (which may be either domestic or transborder) and the costs to public health of emissions that may reach considerable distances from their points of origin and may interact with pollutants from other sources.

Early in 2002, the CEC Secretariat will submit a final report to the

commission council, which consists of Canada's Environmental Minister David Anderson, head of the U.S. Environmental Protection Agency Christie Todd Whitman, and Mexico's Minister for the Environment Victor Lichtinger. It will not be surprising if one of the council's recommendations is a plea for some uniformity in the multiplicity of "Renewable Portfolio Standards" that are being enacted in various jurisdictions.³ While the intent of the standards is to encourage non-depletable energy sources that may be cleaner than some conventional fuels, the disorganized way in which they are being adopted in the United States has caused confusion and conceivably might even lead to complaints under NAFTA of de facto discrimination that violates the treaty's guarantee of "national treatment." For example, some jurisdictions define renewable energy as including hydropower only if it comes from small dams; others fail to consider geothermal energy at all. At state boundaries or borders, such rules can pose barriers to the movement of electricity as invidious as import quotas.

This single example also illustrates an important point: national energy policy, whether Canadian, Mexican, or U.S., does not emanate from any single source. Besides coming from the office of the chief executive, national energy policy is developed by legislatures, courts, government entities below the federal level, and private sector enterprises (who ultimately supply the bulk of investment); in addition, non-governmental organizations such as unions, environmental groups, and industrial associations may have considerable influence in implementing, if not in formulating, policy. A nation's



tax policies help to determine the willingness and ability of investors to risk their capital in searching for and developing natural resources, in improving delivery infrastructure, and in applying new and expensive technology. The level of interest rates and prevailing opportunity costs help to determine how long investors are willing to wait for a payback in capital-intensive renewable energy projects or sweeping programs of modernization for the sake of energy efficiency.

HARMONIZATION OF ENERGY POLICIES UNDER NAFTA

From this discussion, it may seem to be an intimidating task to seek any type of harmonization among three national energy policies or even to precisely describe those policies. Nevertheless, some generalization is possible.

Same Energy Goals

Having had in-depth experience with the development of U.S. energy policy for more than two decades, having examined the history of U.S. energy policy over more than two centuries, and having studied the national policy

efforts of other countries, I have concluded that nations' energy goals invariably fall into five general categories:

- adequacy of energy supply;
- affordability to consumers;
- reliability of supply;
- protection of public health, safety, and the environment throughout the energy cycle of production, delivery, and use; and
- minimization of the time it takes to balance the first four goals—because balance and trade-offs are always required.

These generic goals might be defined differently in each country and even in various parts of the countries. What is "affordable" in Toronto might not be regarded as such in Tabasco. The regulations needed to guarantee acceptable air quality in Montana are not the same as those in Mexico's capital city. Nevertheless, it is astonishing that energy cooperation among the three NAFTA partners offers opportunities to move toward *any* of these goals in *all three places*.

Energy interdependence is not a panacea. Just as NAFTA—despite its overall success—has not been uniformly beneficial to everyone at all times in each

country, the creation and strengthening of the continental energy market has a few negative aspects. This is why the matrix of benefits outlined at the end of the article includes some disadvantages as well as advantages. But the overall positive results come close to being indisputable. This is not a zero-sum game in which one player profits only at the expense of another. With proper cooperative planning, extending power grids across the borders, for example, can increase the reliability, adequacy, affordability, and environmental acceptability of energy in all three national jurisdictions simultaneously.

Facilitating the Process

Achieving energy interdependence is easier said than done, however, and it cannot be accomplished overnight. The process is facilitated by the international tendency in energy industry restructuring to separate the functions of production, long-distance transport, and distribution to consumers.⁴ Technologically, it is aided by developments such as the combined-cycle combustion turbine, which together with international electronic energy marketing makes natural gas and electricity almost fungible commodities. From a regulatory standpoint, harmonization of energy policies requires continued dedication to the following measures, which authorities in each country have pledged to pursue:

- (1) market competition;
- (2) clear, transparent, and stable rules;
- (3) minimization of barriers to entry; and
- (4) free access to transmission and distribution networks.

In the interest of minimizing price volatility, more robust energy trade also relies on broader understanding and

acceptance of mechanisms such as futures markets. Above all, it is important not to reverse the trend toward market-based development because of an aberration such as the California debacle.

The full benefits of electricity trade will come only when all three countries have improved their respective grids. Canada's Energy Minister Ralph Goodale says: "There is support at all levels on the Canadian side for an international self-regulating reliability organization to develop and enforce mandatory standards."⁵ In the U.S. Congress, the preference could be for augmenting the powers of the Federal Energy Regulatory Commission (FERC) to enforce decisions reached by consensus within the North American Electricity Reliability Council (NERC), the nongovernmental organization that includes representatives of the industry in all three countries. Indeed, this is the course endorsed in a new study by the United States Energy Association (see discussion on the USEA study below). In Mexico, it seems essential that the grid be strengthened in a variety of ways to provide more "reactive power." This step is necessary to absorb large-scale infusions from the United States via two-way transmission corridors (such as the long-proposed Tucson-Sonora Interconnection) without risking problems of voltage stability and severe line losses over long distances.

Finally, it is worth noting that harmonization of policies does not require specifying a single pattern of ownership for basic energy resources. There is no reason why CFE and Bonneville Power cannot coexist with rural cooperatives, provincially or municipally owned systems, independent power producers, and stockholder utilities such as Exelon.

Energy interdependence under NAFTA invites cooperation beyond commodity trade. Investment, research and development, technology transfer, and the simple exchange of ideas are also logical items on the trilateral agenda. The analytical matrix presented here offers a checklist—which I urge responsible officials in all three countries to critique and augment. It is clear now that an improved market in itself will benefit all. So, if the generic national energy goals (adequacy, reliability, and so on) of all three nations fall into a pattern, we can focus on finding policies that move in the direction of one or the other of those goals through the market. Thus, we can take two steps forward with each new project instead of one.

RECOMMENDATIONS FROM THE UNITED STATES ENERGY ASSOCIATION

USEA had this in mind as it developed recommendations that are contained in a report entitled *Toward an International Energy Trade and Development Strategy* (referenced above). This is fundamentally a private sector effort, but it is intended to follow up on and try to particularize the National Energy Policy produced by Vice President Dick Cheney and other U.S. administration leaders.

One of the five sections in the USEA report is devoted entirely to North American energy. Perhaps the most novel of its recommendations builds upon the congressionally mandated Clean Energy Technology Exports Initiative (CETE), jointly led by the U.S. Department of Energy, the Commerce Department, and the Agency for International Development. USEA recommends that the agents of

CETE work with the Mexican government to develop a coordinated plan of action to foster rapid development and introduction of clean energy systems in Mexico, including, but not limited to, renewables and energy efficiency projects.

This initiative could mesh quite well with a Mexican initiative announced in October 2001 by officials of the Comisión Reguladora de Energía (CRE), the Energy and Environmental Ministries, and the National Commission for Energy Conservation (CONAE). An indication of interest in "green energy" by a large sample of Mexico's most energy-intensive enterprises⁶ is being met by a government plan to promote renewables through specially adapted rules. Under these rules, self-generating developers of renewable energy projects will be assured access to the national grid to deliver inherently intermittent supplies of electricity to distant participants in those projects or to sell any excess power they generate to CFE or to Luz y Fuerza del Centro.

The unique twist in USEA's recommendation for a much broader program is that the overall binational effort to foster clean energy would be used to develop methods of monitoring and measuring the precise environmental results, including the emission of carbon dioxide as well as pollutants that have already been the subject of emissions credits trading systems. Besides filling one of the voids in the dragged-out negotiations related to the Kyoto Protocol, such an effort could offer a number of benefits to all the NAFTA partners—and in keeping with the national policy goals of each. The governments of Canada and Mexico should give this recommendation serious consideration.

Another USEA recommendation is that a cabinet-level group in the United States (essentially duplicating the composition of the Cheney policy development group⁷) be institutionalized with the specific mission of accelerating the development of an open, integrated energy market involving the three countries. Prime Minister Jean Chrétien designated such a group in Canada some months ago,⁸ and there is a broad cabinet group in Mexico that deals with numerous economic issues, which now include the environmental aspects of energy development.

Twenty years ago, few experts would have predicted energy interdependence within North America. Who knows what the situation will be 20 years hence? But great things can occur if each country recognizes that separate national energy policies can be mutually reinforcing within NAFTA. The vital ingredients are good will, perseverance, and a vision of thoughtful and open-minded cooperation. Helping the integration of this vast and diverse market for energy goods, services, and know-how is a deserving task, consistent with the broadest national policy goals. ■

NOTES

1. Prepared remarks by Secretary of Energy Spencer Abraham at the 5th Hemispheric Energy Initiative Ministerial Conference, Mexico City, March 8, 2001.

2. Most of these were made available on the Internet at <http://www.cec.org> at the time of the symposium (along with an archived video Web cast of the proceedings).

3. The United States Energy Association (USEA) has recently made a specific proposal in this regard in a report entitled, *Toward an International Energy Trade and Development Strategy* (Washington, D.C.: USEA, October 2001, p. 22). The proposal calls for joint consideration by the National Association of Regulatory Utility Commissioners (NARUC),

the National Governors Association, the North American Electricity Reliability Organization (a restructured and potentially stronger version of the North American Electricity Reliability Council [NERC]), and the Federal Energy Regulatory Commission (FERC). NERC already includes representation from all of the lower 48 states, Canada's provinces, and Mexico's CFE. Legislation supported on both sides of the aisle in the U.S. Congress would empower FERC to enforce decisions reached voluntarily by this nongovernmental organization in the United States, and Canada and Mexico would be urged to consider complementary actions within their own respective systems.

4. Dionisio Pérez-Jácome, President of Comisión Reguladora de Energía, "Tendencias internacionales de reestructuración eléctrica," presentation at an international seminar on La Reforma Estructural del Sector Eléctrico Mexicano, organized by Centro de Investigación y Docencia Económica (CIDE), September 28, 2001.

5. Notes for a speech by the Honorable Ralph Goodale, PC, MC, to the Toronto Board of Trade, September 6, 2001, as posted on the Web site of Natural Resources Canada on October 4, 2001.

6. During June and July 2001, business executives representing 100 of Mexico's largest electricity consumers—accounting for more than one-quarter of all industrial power use in the country—were interviewed by Gallup Mexico in a survey sponsored by CEC and CONAE.

7. The Cheney group included the Secretaries of State, Treasury, Interior, Agriculture, Commerce, Transportation, and Energy, as well as the Directors of the Office of Management and Budget and the Federal Emergency Management Agency, the Administrator of the Environmental Protection Agency, the President's Assistant for Economic Policy, his Deputy Chief of Staff for Policy, and his Director of Intergovernmental Affairs (who is responsible for coordination with governors and other state and local officials and offices).

8. The exact composition of the Canadian cabinet committee has never been announced, but at least one journal has speculated that it is broad enough to encompass "all ministers with real and remote interests" in energy. An article in *The Nation* went on to suggest that this includes (at the least) the ministers of Natural Resources, Justice, Finance, Indian Affairs, Fisheries and Oceans, International Trade, Intergovernmental Affairs, Industry, and Environment.

HOW ENERGY COOPERATION IN NORTH AMERICA AFFECTS DISTINCT NATIONAL INTERESTS

SAMPLE ADVANTAGES (+) and DISADVANTAGES (-)

(Note that joint planning can serve to accentuate positives and moderate negatives.)

	CANADA	MEXICO	UNITED STATES
ADEQUACY OF SUPPLY	<p>Alternate sources of electricity provided (+)</p> <p>Expanded market speeds gas development (+)</p> <p>Drought problems exacerbated by export commitments (-)</p>	<p>Burgos Basin developed sooner (+)</p> <p>Ample electricity for northern cities more easily available (+)</p> <p>High California demand adjacent to fast-growing demand in Baja (-)</p>	<p>Gas close to New England (+)</p> <p>Neighbors' oil reserves complement mature domestic fields (+)</p> <p>2001 West Coast problems due in part to Canadian drought (-)</p>
AFFORDABILITY	<p>Broader market encourages early development of Maritime gas (+)</p> <p>Backup power limits need for high cost "peakers" (+)</p> <p>"Deregulation" coincides with price flyups (-)</p>	<p>Marginal cost pricing available for natural gas from broad area (+)</p> <p>Greater access to capital gives fresh alternatives to older equipment (+)</p> <p>Unaccustomed exposure to free market pricing a shock (-)</p>	<p>Pipeline gas almost invariably cheaper than LNG (+)</p> <p>Economic dispatch uses most efficient sources (+)</p> <p>Heavy capital outlays still needed for infrastructure (-)</p>
RELIABILITY OF SUPPLY	<p>U.S. is alternate to domestic power supplies in emergency (+)</p> <p>Domestic infrastructure strengthened as a side effect (+)</p> <p>Seasonal swings in demand may be exaggerated (-)</p>	<p>Increased opportunities to improve notoriously uncertain power grid (+)</p> <p>Nonassociated gas diversifies domestic supplies geographically (+)</p> <p>Specter of "U.S. unilateralism" invites nationalist apprehensions (-)</p>	<p>Less dependence on fuel supplies most subject to interruption (+)</p> <p>Backup power available during periods of emergency (+)</p> <p>Great care required as NERC expands supervision (-)</p>
ENVIRONMENTAL ACCEPTABILITY	<p>Fewer power plants required for any given output (+)</p> <p>Order of dispatch subject to control (+)</p> <p>Strong inducement to increase large-scale hydro (-)</p> <p>Use of hydro from any source limits emissions (+)</p>	<p>Natural gas more broadly available to replace high-sulfur oil (+)</p> <p>Advanced technology becomes more available (+)</p> <p>Some threat of becoming a "pollution haven" (-)</p>	<p>Powerplants' major shift toward natural gas requires imports (+)</p> <p>Imported power preferable to more use of old, dirty plants (+)</p> <p>Mexican air-quality enforcement raises some questions (-)</p>
TIMING OF ADJUSTMENTS AS DESIRED	<p>Maritimes' energy (and economic) development speeded (+)</p> <p>Association gives chance to stress environmental values (+)</p> <p>Alaska "highway route" could delay Mackenzie gas line (-)</p>	<p>Less total investment required (+)</p> <p>More capital quickly available (+)</p> <p>Reasonably stable oil prices better for producers than boom-and-bust (+)</p> <p>Early energy improvements in the north do less for central area and south (-)</p>	<p>New pressure to reduce Mideast dependency satisfied sooner (+)</p> <p>Broader markets for renewables spur economic technology (+)</p> <p>Quick partial solutions might delay development of both ANWR and renewables (-)</p>

Source: Author's matrix. While this article with its matrix of energy cooperation attempts to encourage readers to think in a North American context, the author is interested in what others view as pluses and minuses for their respective national policy goals. Readers are encouraged to contact him at dukert@erols.com with their comments.

CHANGE WITHIN CUBA

By Philip Peters

Positive economic changes are occurring in Cuba that are moving the country incrementally from a Soviet-style planned economy to one with significant market elements. Even though the changes are gradual and may not meet all the policy preferences of foreign capitalists, they deserve attention because of their impact today and because they provide a glimpse of the Cuba of the future. This article will look at how Cuba's economy is changing, what the changes mean for Cuban workers and consumers, and ways that foreign investors are affecting the workforce and business practices.

AN OVERVIEW OF ECONOMIC CHANGES

Economic changes are occurring mainly in small business, agriculture, foreign investment, and state enterprises. Micro-enterprises were legalized eight years ago in selected occupations. Although most are one-person businesses by law, they nevertheless are a significant sector in Cuba, employing almost 4 percent of the labor force. About one-third of the

micro-enterprises are in food service occupations such as small restaurants and lunch stands; the rest make up a small service economy that includes seamstresses, tutors, messengers, taxi drivers, and repair people. In 1996, there were 209,000 people in this sector who had licenses to operate; today, there are only 160,000 licensed businesses. However, many more micro-entrepreneurs operate without licenses than with them. The number of licensed businesses has decreased because of competition with each other as well as with the state, institution of an income tax, and enforcement of regulations. Especially hard hit have been small businesses such as home rentals and restaurants that compete directly with state enterprises for foreign exchange earnings from the tourism industry.

The growth of micro-enterprises has resulted in a new supply of services in Cuba. Commerce is back on the streets. Tens of thousands of Cubans now work autonomously, an alternative they did not have before, and they are learning the skills of a small entrepreneur. I surveyed 150 entrepreneurs and found that their after-tax earnings are three and one-half times the average Cuban salary.

The government undertook three main reforms in agriculture in 1993 and 1994. It redistributed land to small cooperatives and individual farmers. It allows all production units, from the largest cooperative or state farm to the individual farmer, to sell their surplus after they deliver their

"Tens of thousands of Cubans now work autonomously, an alternative they did not have before, and they are learning the skills of a small entrepreneur."

quota to the state. The government also created 304 farmers' markets where farmers can sell their surplus. These reforms have made a considerable difference: farmers' earnings are up, and food supplies are more plentiful and varied. Although produce prices fluctuate according to supply and demand, prices are relatively high for most Cubans. If the government would expand production incentives, prices would drop in response to increased supply.

Together, these changes have created a second legal source of food supply that is making the *libreta* (a little book showing each family's monthly food allotments that are obtained from neighborhood distribution centers) less relevant to the Cuban family diet. This additional food supply source is based on market incentives, and it is visibly working.

THE WORKFORCE OF JOINT VENTURES

Since 1993, more than 300 foreign companies have entered joint ventures to operate businesses in

The author is Vice President, Lexington Institute. This article has been excerpted from his speech presented at NPA's conference on "Best Business Practices for Foreign Investment in Cuba," held in conjunction with the Canadian Foundation for the Americas in Montreal, Quebec, on June 1, 2001. Lexington reports on the Cuban economy are found at www.lexingtoninstitute.org/cuba. The views presented here are the author's and do not represent those of NPA or the member organizations of NPA's Cuba Working Group.

"Foreign investment is also changing Cuba's business culture. It is bringing modern technology and practices such as marketing, customer service, inventory management, and accounting into the Cuban business world."

Cuba. The joint ventures must contract with state employment agencies who recruit their employees. However, some companies directly recruit workers. I have seen examples where a foreign investor finds a Cuban worker with the right talent, leads that person through the employment agency system, and hires the worker.

Foreign investment is also changing Cuba's business culture. It is bringing modern technology and practices such as marketing, customer service, inventory management, and accounting into the Cuban business world.

To compensate workers, joint ventures pay a considerable amount of dollars to the employment agencies, which in turn pay workers' salaries in pesos. This amounts to a stiff labor tax—over 90 percent—that the Cuban government views as a fair contribution to support education and social services. But this is only one aspect of the story.

In looking at the current corporate citizenship practices of investors in Cuba and the issues that American investors may one day face, it is interesting to note that many joint ventures find ways to pay their workers more. One way is clearly outlined in the law—a company can create a profit sharing fund and distribute the profits to the workers. ETECSA, the phone company, is among those who share profits. Another option, used by Canada's Sheritt International,

involves negotiating a provision in the joint venture agreement to allow supplemental dollar wages to be paid to workers based on their productivity and the monthly profitability of the enterprise.

However, by far the most prevalent practice is simply to make side payments directly to workers, often in dollars. This widespread practice is not exactly legal, but neither is it blocked by the government—perhaps because state enterprises are introducing incentive pay plans of their own. I know of secretaries who earn an extra \$100 monthly in this way and a sales representative who earns \$300 more. These are clear cases where foreign companies bend the rules to make life better for their workers.

STATE ENTERPRISE REFORM

Cuba is now embarking on an ambitious program that is the island's answer to privatization. The government is not interested in privatizing per se, but in ending subsidies to state enterprises, overhauling their practices, making managers autonomous and the enterprises competitive and profitable. Managers are being required to develop a quality policy and a policy for pay that demonstratively ties compensation to output. These steps have just begun, and they bear watching. While the state businesses will not be privately owned, they

will be autonomous. If the reforms succeed, the existing Soviet state planning model will be dead.

HELPING TO EFFECT CHANGE IN CUBA

While none of these reforms signal the demise of socialism in Cuba, they do mean that a very different kind of socialism, incorporating elements of markets and capitalism, is at work. As these changes proceed, Cubans gain opportunities to work in market settings where productivity matters, pay depends on output, and earnings are higher. This is the beginning of an economic transition.

How can foreigners influence this transition? The answer is simple: they can become engaged in Cuba. It is impossible to discuss this subject, especially as an American, without taking into account the issue of U.S. policy toward the island. Clearly, Americans should advocate democratic values in general as well as in specific areas such as labor rights. We should promote changes in economic

"While none of these reforms signal the demise of socialism in Cuba, they do mean that a very different kind of socialism, incorporating elements of markets and capitalism, is at work."

"Because U.S. policy attempts to restrict the world's trade with Cuba and to punish foreigners who invest there, America limits its influence not only with the Cuban people and the Cuban government, but also with foreign investors and governments."

policy too. Yet the current U.S. approach toward Cuba, unlike America's approach toward other communist countries, is to oppose engagement and, in fact, to try to make economic conditions worse. Because U.S. policy attempts to restrict the world's trade with Cuba and to punish foreigners who invest there, America limits its influence not only with the Cuban people and the Cuban government, but also with foreign investors and governments. Thus, U.S. policy does not succeed in bringing pressure to bear on a specific issue such as labor rights.

The United States did not wait until China completed its economic reforms to become engaged there; we engaged when China was beginning to introduce incentives into its agricultural system, putting its farm cooperatives on a market-based footing. If the United States did the same with Cuba, one result would be the expansion of the private sector of micro-entrepreneurs. If

Americans were allowed to travel to Cuba, the dollars they would spend would, of course, benefit the tourism industry. There would be a huge spillover effect as well. By spending a dollar in a private restaurant or hiring a private taxi, Americans would help expand those workers' incomes, thereby benefiting their families in a concrete way. A multiplier effect would be created. More people would become micro-entrepreneurs, and more money would be spent at farmers' markets and in other micro-enterprises.

Another result of U.S. engagement with Cuba would be American investment on the island. Even though many U.S. firms would not invest in Cuba because of its restrictive socialist system, some companies would. They would be accountable for how they treat their workers, pay them, and resolve disputes. American companies should not be expected to play a political or foreign policy role in Cuba, but they do have a responsibility as corporate citizens. I am confident that their exercise of this

role will have a positive impact on the Cuban labor force and labor policies.

Cuba is on the cusp of a change in leadership. The generation now moving up in the ranks will inherit a changed Cuba, a country without a foreign patron and with a record of successful experiments with markets and capitalism. Rather than continuing to limit U.S. contact—and influence—America has every reason to engage now with Cuba and its next generation. The result will be positive for the people of both nations. ■

"Rather than continuing to limit U.S. contact—and influence—America has every reason to engage now with Cuba and its next generation."



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WORKER RIGHTS AND FOREIGN INVESTMENT IN CUBA

By Efrén Córdova

The impact of the past 10 years of foreign investment on recent developments in Cuba, particularly economic conditions, has been significant. Has foreign investment exerted an equally important influence on labor-management relations and worker rights? Has investment adhered to the principles governing the conduct of socially responsible organizations? This article explores these questions.

SETTING THE STAGE FOR INVESTING IN CUBA

After the disintegration of the Soviet Union and the fall of the communist regimes of eastern Europe about 11 years ago, the generous subsidies of the Soviet Union to Cuba and the contributions of other socialist countries abruptly disappeared. Cuba was on the verge of economic collapse. Poverty, chronic food shortages, unemployment, and shortfalls of medicine and other basics became instant features of the Cuban scene.

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"When negotiations between the Cuban government and foreign investors began in the early 1990s, Castro was in a weak position, with investors holding the upper hand."

The Cuban government desperately needed the infusion of capital from other countries. Foreign capitalists, for their part, operated in a global economy and were free to invest in Cuba or in any country. Neither Sherritt International of Canada nor Sol Meliá of Spain, major investors in Cuba, had any obligation to the government of Cuba or any affinity with its communist ideology. Thus, when negotiations between the Cuban government and foreign investors began in the early 1990s, Castro was in a weak position, with investors holding the upper hand. Indeed, they had an opportunity to secure the most favorable conditions for their businesses as well as decent treatment for their employees. While investors obtained the former, they overlooked the latter.

To be sure, foreign investors were venturing into uncharted territory. Their experience operating in market economies was of little use in a centrally planned economy and totally irrelevant in Cuba. The Cuban labor relations system is a prime example of

the Stalinist model of labor relations. In this model, there is only one real actor in the industrial relations arena: the government. The other presumed actors (managers and worker organizations) have no autonomy and are subservient bureaucrats or docile organizations that must follow the government's dictates and the guidelines of the planning agency. Unions in particular are emasculated of their essential rights. They act as transmission belts for the communist party and simple mass organizations whose function, according to the Cuban Constitution, is to represent specific sectors of the population and "incorporate them into the tasks of the edification, consolidation and defense of the socialist society" (Article 7).

BENEFITS FOR THE FOREIGN INVESTOR

But the unknown setting of Cuba also contained elements highly beneficial to investors. Because unions were tamed, real collective bargaining and the right to strike did

Average Monthly Payment in State Enterprises									
	1991	1992	1993	1994	1995	1996	1997	1998	1999
Monthly salary (CP)	184	182	182	185	194	202	206	206	223
Exchange rate CP/US\$*	25	25	25	25	25	25	25	25	25
Monthly salary (US\$)	7.36	7.28	7.28	7.40	7.76	8.08	8.24	8.24	8.92

* The exchange rate fluctuated during the 1990s, reaching CP50/1US\$ over the first few years and stabilizing later at CP20/1US\$.

not exist; workers were therefore defenseless in relation to their employers. The only existing labor organization was the government-controlled Confederación de Trabajadores de Cuba, which was directly under the communist party, and one of its primary functions was disciplining the labor force. Since collective bargaining was used to achieve production goals, collective agreements were first called *compromisos colectivos* (collective undertakings). Although strikes were neither authorized nor prohibited on paper, in practice they were regarded as a form of sedition, a serious crime indeed.

Labor was cheap. According to official figures and assuming (for the purpose of easy calculation) that the dollar exchange rate was roughly CP25/1US\$ during the decade of the 1990s, a wage picture emerges as shown in the table above.

SECONDARY RIGHTS FOR CUBAN WORKERS

The policy of paying low salaries began in 1962 and has been maintained throughout the 40 years of Castro's dictatorship. The reasons for this policy go well beyond the social wage concept and relate to the specific objectives and characteristics of the Cuban revolution. Promoting the welfare of workers and peasants has never been a top priority of the Castro

regime. The government has always deemed it more important to export the Cuban revolution, promote subversive activities in Latin America, wage war in Africa, fight U.S. policies, and enhance the image of Castro.

However, the advancement of these objectives has meant costly expenditures that, in turn, have entailed austerity and cuts on the domestic front. Ideology has also dictated that the rights of the state must be on a higher level than the rights of the individual. Emphasis has been on the international role of the regime as an agent of communist ideology, and to that end, particularly in the 1990s, workers were asked to accept temporary sacrifices. The right to receive a just and satisfactory remuneration, among other rights, was thus downgraded, postponed, or relegated to a secondary category.

It can be argued that socialist countries actually pay an additional social wage that includes subsidized food and free education and health services. But it is clear that whatever the amount and quality of these services in Cuba, they have not been directed to employers and have not affected their cost of production.

Other conditions of work before 1990 and during the past decade bore no resemblance to those in the home country of the companies involved.

Overtime was often required of Cuban workers, but seldom paid. Cuban workers were used to working in excess of normal hours, with Castro praising "Stakhanovites" (Soviet workers whose diligence and zeal earned the government's high esteem). Vacations were provided for in the Labor Code, but with no guarantee that this benefit would be honored. Moreover, a 1976 article of the Constitution had instituted the practice of nonpaid voluntary work for the benefit of society, and the International Labor Organization (ILO) found several instances of forced labor. These and other failings of the labor relations system undoubtedly resulted from the lack of interaction between management and labor (and, of course, were in tune with the totalitarian state).

FOREIGN INVESTORS DEMAND MORE

Even though the labor picture was extremely favorable for foreign corporations wanting to invest in Cuba, they made further demands. In addition to asking for tax exemptions and the right to repatriate profits, they insisted on the right to:

- (1) choose the type of employment relationship, such as short term, seasonal, temporary, or part time;
- (2) extend the probationary period of the worker from the 30-day time frame fixed in the Labor Code to six months;
- (3) develop a more rigorous disciplinary system (already extremely severe in Charter VI of the Labor Code); and
- (4) terminate the labor contract at will.

Anxious to entice business to invest in Cuba, the Castro regime acquiesced in all of these demands. In 1990, Decree-Law No. 122 granted the hotel industry

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the first three points. (This sector's disciplinary system, which consists of 22 obligations and 46 prohibitions, is probably the most rigid in the world.) In 1995, Chapter XI of Law 77 opened the door to all other demands by establishing special labor regulations that would adapt existing laws to the requirements of foreign investors. Foreign companies were also given the right to use their own administrative and technical staff. Two articles were added to the Constitution, one to ensure that foreigners received the same treatment as Cuban citizens and the other to allow joint ventures and other associations to own land and other means of production. Further advantages given to investors included the opening of industrial parks and free trade zones. In short, the "uncharted territory" soon resembled a business paradise.

Even as Castro was effectively attracting foreign investors, he made it more difficult or impossible for Cubans to invest in their own country. In addition, he prevented Cuban citizens from entering the premises of the new hotels,

allegedly as a security measure or even when in response to a request from investors.

CASTRO'S DEMANDS

However, not everything favored the investors. Castro had some demands of his own, particularly regarding the future of his regime, and a tradeoff was soon hammered out. In exchange for the concessions cited above, foreign companies surrendered their right to hire workers of their choosing and agreed to engage employees through a government agency. Not only was this concession a departure from the companies' normal personnel policies, but it also gave the regime the opportunity to fill all new jobs with its unconditional supporters.

Foreign corporations caved in to the state on another important matter. Instead of paying their personnel directly as the Labor Code stipulated and according to standard procedures in countries worldwide, firms agreed to pay them indirectly. Joint ventures and

"In exchange for the concessions, foreign companies surrendered their right to hire workers of their choosing and agreed to engage employees through a government agency."

foreign companies would transfer to the government in dollars the total amount of the wage bill, and the government employment agency would then pay the workers in Cuban pesos. The calculation of the amount of pesos to be paid would be made on an at par basis with the dollar, and the difference between that amount and the real value of the dollar-peso exchange rate would be retained by the government. To appreciate the magnitude of the fraud involved, consider the following data:

(A) Largest Sectors Receiving Foreign Investments, April 1999

(Total US\$ Mill.)

Telecommunications	\$650
Mining	350
Tourism	200
Other	567

Source: University of Florida report.

(B) Total Number of Workers in Joint Ventures and Foreign Business Operations

(Estimate)

Tourism	81,000
Nickel and related activities	45,000
Other sectors	25,000
Total	151,000

Source: María D. Espino, "Cuban Tourism during the Special Period," paper presented at the 2000 meeting of the Association for the Study of the Cuban Economy, August 3-5, 2000, in Coral Gables, Florida.

(C) Monthly Salary Paid by Sol Meliá

(Estimate, US\$)

Blue collar (such as waiters and maintenance workers)	223
White collar (office employees)	247
Managerial	420

Source: Compiled by the Cuban Federation of Sugar Workers in a communication to the International Confederation of Free Trade Unions, May 2001.

The salaries of workers in foreign firms are considerably lower than those paid by Sol Meliá in Spain and other countries. This anomaly is mainly due to the absence of real labor unions and collective bargaining in Cuba, the government's desire to avoid the sharp income difference that would have resulted between the top salaries paid by foreign companies and the poor salaries received by state employees, and the acquiescence of foreign businesses that saw the government's proposal as an easy way to increase profits and to be permitted to operate in Cuba.

VIOLATIONS OF ILO CONVENTIONS

The 90-95 percent margin derived from the devaluation of the peso (which was at par with the dollar before the revolution) has represented huge amounts of money over the years. These monies have been a shot in the arm for a government that needed to maintain its costly security apparatus and to defray its various international endeavors. But the strategy has deprived Cuban workers of the opportunity to earn a decent wage for the first time. Although some compensation has been given to workers in the form of tips in U.S. dollars and a monthly bag ("java") of products that are unavailable in Cuban markets, such benefits are of relatively minor significance. (Tips must be placed in a pool, with the government keeping 60 percent of the total; javas contain mostly leftovers that are given to the workers as charity.)

Whatever the gains and losses, the use of this strategy by the Cuban government and the acceptance of it by foreign businesses clearly violate two ILO Conventions that Cuba has

"Although some compensation has been given to workers in the form of tips in U.S. dollars and a monthly bag ("java") of products that are unavailable in Cuban markets, such benefits are of relatively minor significance."

ratified: No. 95 provides that "wages shall be paid directly to the workers concerned"; and No. 96 abolishes fee-charging employment agencies. The violations are so flagrant that they have given rise to a representation (complaint) that will be submitted to the ILO by the World Labor Organization. The Cuban Federation of Sugar Workers has requested the International Confederation of Free Trade Unions to file the same kind of complaint against the Cuban government.

IMPACT OF FOREIGN INVESTMENT ON CUBA

What has been the net effect of foreign investment in Cuba? There is no doubt that foreign investment is the sole reason for the growth of the Cuban economy in the past few years. The state sector is still in shambles, but the Castro regime has been rescued from complete ruin by the remarkable development of the tourism sector, the effective growth of the mining industry, and the overall contributions of foreigner investors to other industrial, telecommunications, and commercial activities. Suffice it to state that the economy grew 5.6 percent in 2000.

Foreign corporations have also significantly profited from their invest-

ment in Cuba. Sherritt reported profits of US\$76 million in 2000. Meliá, which began with only one hotel, now operates 22. The tourism industry, dormant before 1990 and completely neglected during the first years of the revolution, has rebounded. Meliá, associated currently with Tryp Hotels of Spain, is in charge of Cuba's main tourist centers and attracts a major flow of tourists from Europe and Latin America. Joint ventures have also modernized the oil drilling, citrus, and fishing industries and have helped to commercialize tobacco and other products. By 1999, 392 international economic associations, most of them joint ventures employing about 150,000 workers, committed or delivered almost US\$2 billion to the Cuban economy. The number of joint enterprises appears to be steadily increasing and now includes light industry, food, construction, real estate, and services.

However, foreign investment has not exerted a positive influence on aspects of Cuban life other than the economy. The totalitarian structure of the regime remains in place, and the political climate continues to be oppressive. The six countries of the EU that have heavily invested in Cuba assumed that their economic activities would liberalize the political arena and open the road to democracy. They have

"The fact is that the Stalinist model of labor relations remains intact. Except for the limited possibility accorded in 1992 for workers to be self-employed (an authorization later restricted), nothing of substance has changed."

no doubt realized by now that this assumption was wrong and that the regime is impervious to the economic activities of foreign investors.

Questions have arisen regarding the social responsibilities of foreign corporations. Not only have most agreed to go along with the "apartheid" system established by Castro, but they have also had little influence on the quality of labor relations. Do foreign firms recognize independent unions? Do foreign companies conclude real collective bargaining agreements with their workers? Have foreign enterprises improved worker rights? The fact is that the Stalinist model of labor relations remains intact. Except for the limited possibility accorded in 1992 for workers to be self-employed (an authorization later restricted), nothing of substance has changed.

CONDEMNATIONS OF CUBA'S ACTIONS

Consider the Cuban government's treatment of ratified conventions. Between 1960 and 2000, the ILO's Committee of Experts on the Application of Conventions and Recommendations issued 182 "observations" covering 41 different conventions that Cuba had ratified but had not

carried out or had disregarded either in labor relations law or practice. (Observation is the term used in diplomatic parlance to refer to serious and persistent violations of a ratified convention.) During the same period, the Committee of Experts also issued numerous direct requests for information not published in the annual report on the application of conventions and recommendations but communicated directly to the governments concerned. Furthermore, during the first five years of the revolution, when the Cuban government was busy dismantling the old labor movement, Cuba did not even submit the report that the ILO annually requests of governments on the measures taken to enact the provisions of ratified conventions.

The United Nation's Commission on Human Rights has adopted con-

demnatory resolutions on the Castro regime's inadequate treatment of workers. Since 1987, Cuba has been forced to explain its human rights situation every year, and in all but one year the Cuban government has been found guilty of gross violations of fundamental human rights. UN resolutions and the reports prepared by the Special Rapporteur on Cuba appointed by the UN Human Rights Commission refer to forced labor, persecution of trade union organizers, blatant discrimination of anyone who disagrees with Castro's views, and lack of appropriate social protection for the Cuban people. These resolutions are an affront to the Cuban dictator. They also demonstrate severe disapproval of left-wing advocates of Castro who have elevated him to the level of "great defender of the working class." Other condemnatory reports have been issued by Pax Christi Netherlands and Human Rights Watch. The former organization in particular has documented the systematic violation of fundamental labor rights in Cuba. (See, for example, its *Fifth Report on Cuba*, Utrecht, September 2000. See also Efrén Córdova, ed., *40 Years of Revolution*, Universal, 1999.)

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LACK OF SOCIALLY RESPONSIBLE BUSINESS CONDUCT

In the early 1990s, the decision to invest in Cuba was indeed momentous. On the one hand, it brought accusations that foreign capitalists were helping a communist government that was especially oppressive of its people. On the other hand, it provided a unique opportunity for businesses to exert positive influence on the treat-

ment of Cuban workers and on the labor relations system in general. The presence of reputable companies from highly developed Western countries was expected to influence or contribute to changes in labor relations law and practice.

However, after a decade of operating in Cuba, investing companies have been unable to live up to their stated good intentions. Foreign companies that first extracted concessions from the Cuban government and later

accepted arrangements contrary to international conventions have not conducted their business in Cuba in a socially responsible way. Most have shown little respect for the Sullivan, McBride, and Arcos Principles and have ignored the Principles of the North American Committee of the National Policy Association. The experience of foreign investors in Cuba shows that changes in economic infrastructure do not necessarily entail changes in political structure. ■

FORTHCOMING NPA EVENTS

Visit NPA's Web site, www.npal.org, for more information

Conference on "Equity and Growth: The Role of Civil Society in Sustainable Development"

February 19, 2002 • 9:00 a.m. - 5:30 p.m.

Sponsored by NPA and the Chamber of Commerce of Lima, this conference is the beginning of a new project for NPA. The day-long event will examine the main policy issues facing the new Toledo government in Peru—combating widespread inequality and promoting economic growth. Discussions will focus on the need to address Peru's structural inequalities to make meaningful development possible. Panelists will include leaders from both the business and labor communities in Peru and North America, as well as representatives from government, academia, and civil society. Participants will discuss ways in which government and the private sector can work together to promote democracy and implement policy solutions to Peru's most pressing national problems.

WHERE: Lima, Peru. *Contact Amanda Fulmer, NPA Research Fellow, at (202) 884 - 7639 or afulmer@npa1.org.*

Symposium on "Building a Digital Workforce: Recommendations for Change"

April 17, 2002 • 9:00 a.m. - 12 noon

This is the final of three regional public meetings on "Crossing the Digital Divide to Digital Economic Opportunity" sponsored by NPA's Digital Economic Opportunity Committee (DEOC), a business, labor, and education group. The focus of this symposium will be on presenting and discussing the DEOC's draft final findings and recommendations for upgrading skills and expanding today's workforce to meet the information technology skill needs of the new digital economy. The symposium is part of a workforce development research project partially funded by a grant from the Federal Mediation and Conciliation Service. The DEOC will issue its final report in June 2002.

WHERE: San Francisco, California. *Contact Robert B. Warner, Committee Director, at (202) 884 - 7628 or rwarner@npa1.org.*

Recent NPA Conference on the Role of Underserved Communities in Building a Digital Workforce

"The United States must foster a technologically literate workforce to survive in the emerging information technology (IT) society," according to Robert B. Warner, Director of the National Policy Association's Digital Economic Opportunity Committee (DEOC). "The high cost of employee turnover, the shortages of skilled workers, and the growing number of baby boom retirees make the improvement and training of the existing and future workforce a very pressing issue." NPA formed the DEOC in early 2001 to help decrease the digital divide between skilled IT workers and workers lacking these skills.

The committee held a conference on December 12, 2001, in Kansas City, Missouri, to explore "Enlarging the Pool of IT Workers to Meet Tomorrow's Needs: Crossing the Digital Divide to Digital Economic Opportunity." The conference focused on ways to raise the technical skill of segments of the workforce not traditionally found in the IT labor force: women, minorities, people with disabilities, seniors, Native Americans, and those in underrepresented communities such as rural areas and inner cities. Through a series of panel discussions, the conference examined the barriers to good paying IT jobs, how to overcome these obstacles, and the skills and training that are needed.

Attending this important workforce development conference were members of businesses, labor unions, educational institutions, government agencies, nonprofit organizations, and others interested in the issue of technical skills development. Attendees presented their views and recommendations on preparing today's workforce for participation in the new digital age economy.



(L to R) The panel focusing on the challenges facing women and minorities in the IT workforce included Ian Bautista, Deputy Director, El Centro Inc.; Wanda Johnson, Deputy Director, Water, Wetlands and Pesticides Division, U.S. Environmental Protection Agency; Katherine Hanson, Director, Gender and Diversities Institute, Education Development Center Inc.; and Rory R. Paredes, Technology Management Specialist, Center for Applied Technology, Graduate School, U.S. Department of Agriculture.

(L to R) The issues confronting people with disabilities and seniors in the IT workforce were discussed by panelists Suzanne Dunn, Ph.D., Director of Product Design, R. Jan LeCroy Center for Educational Telecommunications, Dallas County Community College District; Debra Holcomb, State Project Director, Nebraska Operation, Green Thumb Inc.; Janice Bramwell, Missouri State Director, Green Thumb Inc.; and David Baker, Program Coordinator, Missouri Assistive Technology.



(L to R) Anthony C.E. Quainton, NPA President and CEO, presented the opening remarks at the Kansas City DEOC conference, and an overview was provided by DEOC Cochairs Jack Golodner, President Emeritus, Department for Professional Employees, AFL-CIO, and Ralph P. Craviso, Vice President, Workforce Effectiveness, Lucent Technologies.

This was the second of three conferences to be sponsored by the DEOC. The first was held in Boston in June, and the third will take place in San Francisco in April 2002. The conferences are made possible by a grant from the Federal Mediation and Conciliation Service and the corporate, labor, and education members of the committee, who collectively represent more than 10 million workers and union members.

The first DEOC report, *Building a Digital Workforce*, was issued in November 2001, and will be followed in April 2002 by a second report based on the Kansas City conference. The committee's final report, to be published in June 2002, will contain a set of social, political, corporate, and labor-management initiatives and recommendations for building a digital workforce.

For more information, contact Robert B. Warner, Director, Digital Economic Opportunity Committee, at (202) 884-7628 or rwarner@npa1.org, or go to NPA's Web site (www.npa1.org).

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